

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>4i</u>
Date of Meeting	<u>October 13, 2015</u>

DATE: October 2, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Bari Bookout, Northwest Seaport Alliance
Anne Porter, Seaport Project Management
SUBJECT: Terminal 5 Berth Modernization Test Pile Program (CIP #C800132)

Amount of This Request: \$0 **Source of Funds:** General fund
Est. Total Project Cost: \$230,000,000

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute a major public works construction contract with the lowest responsible bidder for the Terminal 5 Berth Modernization Test Pile Program, notwithstanding the low bid exceeding the engineer's estimate by more than 10 percent.

SYNOPSIS

The Commission authorized advertisement for bids for test pile installation as part of the design of the Terminal 5 Berth Modernization project on July 14, 2015. However, when the four contractor bids received were opened on October 1, 2015, the lowest responsive bid, from Pacific Pile and Marine LP, exceeded the engineer's estimate by nearly 14%. This represents a bid irregularity requiring further Commission action prior to contract award in accordance with Section 4.2.3.4 of the General Delegation of Authority. The additional amount of \$410,000, including the resulting incremental increase in sales tax, construction contingency, and added staff costs, can be covered by the remaining funds within the existing design funding authorization of \$10,000,000.

Port staff has carefully reviewed the test pile program scope in light of the increased bids and has determined that the test pile program should continue as it remains critical to effective management of the project. The requested action has been endorsed by the Northwest Seaport Alliance leadership.

BACKGROUND

On June 3, 2014, the Port of Seattle Commission authorized design of the Terminal 5 Berth Modernization project for an initial budget of \$5,000,000. On July 14, 2015, the Commission authorized additional design budget of \$5,000,000, bringing the total project design budget up to

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a new total of \$10,000,000, in addition to authorization to advertise for bids for the Terminal 5 test pile program. On September 11, 2015, the test pile installation contract was advertised for construction bids with the intent to complete the in-water work during the latter part of the allowed construction window that closes on February 15, 2016. A pre-bid meeting and site tour was held on September 21, 2015, with several prime contractors in attendance.

Four construction bids were received and opened on October 1, 2015, with Pacific Pile and Marine LP identified as the apparent lowest responsive bidder with a bid of \$2,374,955. The Port's engineer's estimate for the project was \$2,086,507. The difference between the engineer's estimate and the low bidder exceeds 10%, necessitating this Commission authorization request. The remaining three bids received ranged from \$2,392,000 to \$3,977,150. Adding sales tax and construction contingency to the difference between the engineer's estimate and the low bidder plus associated project management and construction management soft costs increases the estimated costs by a total of \$410,000.

Port staff have reviewed the engineer's estimate and identified some factors that may have contributed to the bid difference. One of the unique primary elements of this project is the Rapid Load Testing of the piles, a procedure that has not been used previously in this region. Therefore, the coordination and performance of that work is new to the bidding contractors. In developing the engineer's estimate, contractors who have coordinated and performed Rapid Load Test work in other parts of the country were used as resources for developing estimated costs. The cost of the contractors' risk and uncertainty in performing this work, which is new to them, was underestimated. The nature of this work as a test program rather than production installation of piles also inherently involves additional coordination, schedule restrictions, and work variability that are not typical of routine wharf construction, which can lead to lower predictability of prices.

In light of the number of bids received and the proximity of the two lowest bid prices, Port staff believes the bid price received from Pacific Pile and Marine LP to be fair and reasonable. It is believed that re-bidding would not result in any lower bid price. Staff also considered whether any scope could be deleted or if all bids should be rejected, but has determined that all scope will be critical to achieve the planned purposes of the test pile program and that the bids received accurately reflect the cost of the work. Additional delay in the bidding process will jeopardize the ability of the contractor to complete the work within the permitted time frame for in-water work.

PROJECT JUSTIFICATION AND DETAILS

The test pile program has a potential estimated net savings of \$5,000,000 to \$7,000,000 in construction costs. It will provide additional geotechnical information that may result in shorter and fewer structural piles, improving habitat and fisheries and reducing noise from construction. Additionally, information gathered from the program reduces design and construction uncertainties and associated cost and schedule risks.

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Project Objectives

Project objectives have not changed since the July 2015 request and include ensuring the dock is capable of handling two EEE class vessels by mid-2018 or 2019. The proposed capital improvements will maintain the economic and job benefits from the cargo business at Terminal 5.

Scope of Work

The scope of work remains unchanged and includes continued development of construction and permitting documents, in addition to conducting a test pile program.

Schedule

Design and construction phases will vary for each element of the scope due to compliance requirements, operational constraints, or availability of the terminal area. The team will evaluate the scope of work to determine a cost-effective approach to efficiently implement the work.

Lifecycle Cost and Savings

Modernizing our existing assets readies them for current and future changes, extends their useful service life, and preserves the economic vitality of our operations. The current T5 facility is unable to generate revenue as a container terminal due to obsolete dock infrastructure.

STRATEGIES AND OBJECTIVES

This project will support the Port's Century Agenda Strategic Objective to grow Seaport annual container volume to more than 3.5 million TEUs.

TRIPLE BOTTOM LINE

Modernizing Terminal 5 for larger vessels is key to the Port meeting its Century Agenda strategies of increasing container volume in Seattle to 3.5 million TEUs and doubling the value of exports from Seattle. Environmental sustainability principles will be employed consistent with Port policy. In addition, procedures set forth in the Port's Small Contractors and Suppliers Program and other small business participation opportunities in support of the Century Agenda goals or requirements will be established, accordingly.

Economic Development

Terminal 5 Modernization will allow the Port to keep pace with the evolution of vessel size in the container shipping market. The improvements are critical to remain relevant as the shipping industry changes. The project represents an investment in effectively stewarding competitiveness of the region for market share.

Environmental Responsibility

This project will provide the opportunity to apply environmental sustainability principles associated with the new improvements, including practices to avoid and minimize potential

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negative environmental effects. Among anticipated benefits is the removal of the existing creosote-treated timber piling.

Community Benefits

This project benefits the local community by preserving existing jobs and adding new living wage jobs in construction and terminal operations.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) Rebid test pile program.

Pros:

- Bidding climate and other factors may result in lower bids.

Cons:

- Delay of test pile program likely results in missing in-water work window.
- Extending work into the 2016-2017 in-water work season will likely result in contractor claims for additional mobilization and demobilization costs.

This is not the recommended alternative.

Alternative 2) Do not conduct test pile program.

Pros:

- Would reduce estimated design costs by approximately \$3,000,000.

Cons:

- Eliminates potential net savings from test pile program, which are in the \$5 to \$7 million range.
- Eliminates the potential benefits to fisheries due to fewer piles.

This is not the recommended alternative.

Alternative 3) Proceed with action request to award construction contract for test pile installation.

Pros:

- Realizes benefits of test pile program (fewer and shorter piles, reduced noise, improved habitat and fisheries) and potential net savings in the \$5 to \$7 million range.
- Allows for completion in mid-2018 or 2019 if desired by prospective tenant and most effectively supports Port strategy of speed to market.

Cons:

- Moving forward with design without a committed tenant may result in project delays or significant scope changes requested by future tenant that will result in additional design work and expense.

This is the recommended alternative.

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ATTACHMENTS TO THIS REQUEST

- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- On July 14, 2015, Commission authorized request for continued design and test pile program in the amount of \$5,000,000 for a new total authorization of \$10,000,000.
- On June 3, 2014, Commission authorized request for \$5,000,000 to begin T-5 Facility Modernization design and permitting.
- On May 13, 2014, briefed Commission on the T5 Facility Modernization project.